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Australian Energy Regulator  
GPO Box 3131  
Canberra ACT 2601

Via email - [PipelineFOR@aer.gov.au](mailto:PipelineFOR@aer.gov.au)

## Review of the South-West Queensland Pipeline

Thank you for the opportunity to provide this submission to the Australian Energy Regulator's (AER) review into whether to make a scheme pipeline declaration for the South-West Queensland Pipeline (SQWP).

The Business Council of Australia (BCA) champions the role that responsible businesses play in generating sustainable economic growth and advocates for policy settings in the national interest. The BCA represents Australia's major corporations in Australia, with more than 130 members.

This submission is focused on the following key principles for which the BCA has consistently advocated. However, we do acknowledge that APA, which is the owner of the SWQP, is a member of the BCA.

### A. Achieving net-zero emissions by 2050

As detailed in the BCA submission to the Department of Industry, Science and Resources' Future Gas Strategy Consultation Paper, the BCA supports Australia's transition to a net-zero emissions economy by 2050. The transition must be efficient, effective and affordable.

However, some sectors of the economy will continue to depend on natural gas until substitute technologies are deployed. Indeed, gas should be seen as a critical transitional fuel source.

The Australian Energy Market Operator's Gas Statement of Opportunities (GSOO) released on 21 March 2024 confirms the urgent need for investment if gas supply from 2028 is to keep up with demand for gas-powered electricity generation.

Supply gaps emerging in Australia's gas markets pose greater risks to reliability than has historically been the case – as legacy gas fields in the southern states decline faster than demand. Investment in new upstream gas supply including pipelines, will be needed.

As the GSOO report finds, 'gas production is forecast to decrease by almost 40% over the next five years, driven by rapidly depleting legacy gas fields in the Gippsland region.'<sup>1</sup>

In this context, the rapidly changing market dynamics require flexibility to make investment decisions quickly. What the 2024 GSOO has again made evident, is that responsive investment in the continued ability to move gas from north to south without constraint is going to be essential.

<sup>1</sup> Australian Energy Market Operator 2024 GSOO, p.48

## **B. Uncertainty created by reviews**

We raise concerns regarding the AER's decision to conduct regulation reviews across Australia's gas pipelines. We believe this will have a chilling effect on the investment required to ensure Australia's energy infrastructure can keep up with future demands to deliver Australia's energy security.

Changes to the regulatory environment in which businesses are making investment decisions, including the process of ongoing regulation reviews, necessarily creates uncertainty. This is therefore not the stable environment within which long term investment decisions can be made.

It is also why the BCA argued against the Mandatory Code of Conduct for the east coast gas market, as such regulation deters investment just at a time when more is required to meet our short to medium term needs.

## **C. Effective regulation already exists**

The National Gas Law (NGL) and National Gas Rules (NGR) appropriately recognise that different forms of regulation may be appropriate for pipelines with different characteristics. Gas pipelines (and pipeline systems) across Australia differ markedly in terms of the markets they serve, customer profiles, demand characteristics and investment requirements. The NGL and NGR allow different forms of regulation to be applied according to these features.

The SWQP whilst currently a non-scheme pipeline is still subject to regulation.

There is clear evidence that the current regime of regulation (incorporating extensive information disclosure and arbitration) is effectively working:

- pipelines are already subject to regulation, including extensive price disclosure and arbitration.
- the transmission costs on pipelines are a small percentage of the overall gas bill for consumers – for example, the transmission costs on the SWQP only make up about 3 per cent of typical Victorian residential gas bill.
- the existing regulatory arrangements work for customers – no customer has sought to use the arbitration regime that has been in place since 2017.
- the existing arrangements have supported the \$700 million investment into the expansion of the gas network at the company's own risk, to support energy security.

## **D. Key criteria for decisions**

For these reasons, the AER should make any decisions on whether to introduce additional regulation having regard to the following key criteria.

### **1. Allow the market to operate efficiently and effectively**

Increased regulation risks driving down productivity and distorts how a market operates in sending signals for investment.

As such, we would be concerned that a decision to shift the SWQP from a non-scheme pipeline to a scheme pipeline, subject to full regulation, would deter future investment. The company has already invested \$700 million into the expansion of the gas network at its own risk, to support energy security. Under full regulation, such investment would require the regulator's approval, adding uncertainty and additional delays and would not be driven by commercial timelines or requirements.

### **2. Do not impose regulation where a market is already operating efficiently**

As a matter of good public policy, regulation should not be imposed unless evidence exists that a market is operating inefficiently, including that an existing regulatory regime is inadequate, and

that imposing regulation will not produce adverse outcomes that outweigh any public benefit to be derived through same.

As per above, it is clear in this instance that effective regulation already exists – highlighted by the low pipeline transmission costs, the historical redundancy of the arbitration regime and the securing of industry investment – making the case to impose further regulation harder to establish.

### **3. Energy security and affordability is essential**

The commercial operation of the current system is delivering benefits for customers as the current owners have been prepared to invest to meet growing demand to support energy security. The investment made to date has delivered additional supply into the southern market. Proposed further investment to expand capacity will address some of the potential future risk from the high seasonal gas demand in the southern regions.

The transmission costs on pipelines are a small percentage of the overall gas bill for consumers. As an example, the SWQP makes up only three per cent of the typical Victorian gas bill.

Heavier regulation will have to be factored into the costs of the operation, and that will flow through to customers.

We thank you for consideration of these matters.

We believe that to have a successful transition to the net-zero economy, we need a regulatory environment which provides the certainty for business to invest and deliver value for customers. Ongoing reviews and the risk of additional regulation does not create such an environment.

Yours sincerely



**Bran Black**  
Chief Executive  
Business Council of Australia